

CITY OF LU VERNE, IOWA
INDEPENDENT ACCOUNTANT'S REPORT
ON APPLYING AGREED-UPON PROCEDURES
FOR THE PERIOD
JULY 1, 2013 THROUGH JUNE 30, 2014

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Officials

Name	Title	Term Expires
(Before January, 2014)		
Elected Officials		
Dennis Holmes	Mayor	January, 2014
James Carroll	Council Member	January, 2014
Gene Frideres	Council Member	January, 2016
Matt Lawson	Council Member	January, 2016
Kevin McPeak	Council Member	January, 2014
C. P. Patterson	Council Member	January, 2016
Appointed Officials		
Marilyn Johnson	City Clerk	Indefinite
Diane Fisher	Treasurer	Indefinite
(After January, 2014)		
Elected Officials		
Dennis Holmes	Mayor	January, 2016
James Carroll	Council Member	January, 2018
Gene Frideres	Council Member	January, 2016
Matt Lawson	Council Member	January, 2016
Kevin McPeak	Council Member	January, 2018
C. P. Patterson	Council Member	January, 2016
Appointed Officials		
Marilyn Johnson	City Clerk	Indefinite
Diane Fisher	Treasurer	Indefinite

Independent Accountant's Report on Applying Agreed-Upon Procedures —

To the Honorable Mayor and
Members of the City Council
City of Lu Verne, Iowa

We have performed an agreed-upon procedures engagement of the City of Lu Verne pursuant to Chapter 11.6 of the Code of Iowa enacted by the Iowa Legislature to provide certain minimum oversight of Iowa cities. Accordingly, we have applied certain tests and procedures to selected accounting records and related information of the City of Lu Verne for the period July 1, 2013 through June 30, 2014. This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and the standards for attestation engagements contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

The procedures we performed are summarized as follows:

1. We reviewed selected City Council meeting minutes for compliance with Chapters 21, 372.13(6) and 380 of the Code of Iowa.
2. We reviewed the City's internal controls to determine if proper control procedures are in place and incompatible duties, from a control standpoint, are not performed by the same employee.
3. We reviewed surety bond coverage for compliance with Chapter 64 of the Code of Iowa.
4. We obtained and reviewed the City Clerk's financial reports and selected bank reconciliations to determine whether the bank balances properly reconciled to the general ledger account balances and monthly financial reports provided to the City Council.
5. We reviewed City funds for consistency with the City Finance Committee's (CFC) recommended uniform chart of accounts and to determine required funds and fund balances are properly maintained and accurately accounted for.
6. We reviewed the City's fiscal year 2013 Annual Financial Report (AFR) to determine whether it was completed and accurately reflects the City's financial information.
7. We reviewed investments to determine compliance with Chapter 12B of the Code of Iowa.
8. We reviewed compliance with Chapters 12C.2, 12B.10B and 556.1(12) of the Code of Iowa pertaining to required depository resolutions, investment policy and reporting of unclaimed property to the State of Iowa.

9. We reviewed and tested selected receipts for accurate accounting and consistency with the CFC recommended chart of accounts.
10. We reviewed and tested selected disbursements for proper approval, adequate supporting documentation, accurate accounting and consistency with the CFC recommended chart of accounts and compliance with the public purpose criteria established by Article III, Section 31 of the Constitution of the State of Iowa.
11. We reviewed transfers between funds for propriety, proper authorization and accurate accounting.
12. We reviewed and tested selected payroll and related transactions for propriety, proper authorization and accurate accounting.
13. We reviewed the annual certified budget for proper authorization, certification and timely amendment.

Based on the performance of the procedures described above, we identified various recommendations for the City. Our recommendations are described in the Detailed Recommendations section of this report. Unless reported in the Detailed Recommendations, items of noncompliance were not noted during the performance of the specific procedures listed above.

We were not engaged to and did not conduct an audit of the City of Lu Verne, the objective of which is the expression of opinions on the City's financial statements. Accordingly, we do not express opinions on the City's financial statements. Had we performed additional procedures, or had we performed an audit of the City of Lu Verne, additional matters might have come to our attention that would have been reported to you.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of the City of Lu Verne and other parties to whom the City of Lu Verne may report. This report is not intended to be and should not be used by anyone other than these specified parties.

HOGAN - HANSEN

HOGAN - HANSEN

Mason City, Iowa
August 14, 2014

Detailed Recommendations

Detailed Recommendations

For the Period July 1, 2013 through June 30, 2014

- (A) **Segregation of Duties** - One important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. We noted that incompatible duties are being performed by the same person.

Recommendation - We realize segregation of duties is difficult with a limited number of employees. However, the City should review its control procedures to obtain the maximum internal control possible under the circumstances utilizing currently available staff, including elected officials.

- (B) **Deposits and Investments** - The deposits and investment balances as of June 30, 2014 exceeded the amount limited per City Council resolution.

Recommendation - The City Council, by resolution, should approve amounts sufficient to cover anticipated balances at all approved depositories as required by Chapter 12C.2 of the Code of Iowa.

- (C) **Disbursements** - Invoices and other supporting documentation were not always available to support disbursements. Supporting documentation for one transaction tested could not be located. Additionally, the City Council approved a bill for \$500 but payment was actually made for \$1,000. In addition, not all supporting invoices were marked paid to prevent duplicate payments.

Recommendation - All disbursements should be supported by invoices or other supporting documentation. Disbursements should be approved by the City Council for the amount being paid and the supporting invoice should be marked as paid.

- (D) **Payroll** - The City Council approved and Council minutes documented percentage increases for wages of City employees instead of the actual hourly and salary rates.

Recommendation - The Council should adequately approve and document the specific hourly rate or salary of all City employees instead of just a percentage increase.

- (E) **Electronic Check Retention** - Chapter 554D.114 of the Code of Iowa allows the City to retain canceled checks in an electronic format and requires retention in this manner to include an image of both the front and back of each canceled check. The City does not receive an image of the back of each canceled check.

Recommendation - The City should obtain and retain images of both the front and back of canceled checks as required by Chapter 554D.114 of the Code of Iowa.

- (F) **Business Transactions** - Business transactions between the City and City officials or employees are detailed as follows:

Name, Title and Business Connection	Transaction Description	Amount
Jim Carroll, City Council, owner of Carroll Implement	Fuel and equipment purchases, repairs and maintenance on City equipment, supplies	\$ 35,685

In accordance with Chapter 362.5(k) of the Code of Iowa, these transactions may represent a conflict of interest since total transactions were more than \$2,500 during the fiscal year and some services were not competitively bid.

Recommendation - The City should consult legal counsel to determine the disposition of this matter.